

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 98-111-E - ORDER NO. 98-210
MARCH 19, 1998

IN RE: Application of Carolina Power & Light)
Company for Authority to Issue Securities to)
Term Loan Agreement.)
)
)
)
)
)

✓WR

This matter comes before the Public Service Commission of South Carolina (the Commission) upon Application of Carolina Power & Light Company (Company), filed February 26, 1998 requesting authority to issue securities pursuant to a Term Loan Agreement.

FINDINGS OF FACT

1. The Company's correct name and post office address are Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The name and post office address of its attorneys are William F. Austin, Austin, Lewis & Rogers, 1310 Lady Street, Columbia, South Carolina 29201; and Patricia Kornegay-Timmons, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a corporation organized and existing under the laws of the State of North Carolina, and authorized to do business in South Carolina. Its principal office is located at 411 Fayetteville Street, Raleigh, North Carolina 27602. The Company is a public utility engaged in the business

of generating, transmitting, delivering and furnishing electricity to the public for compensation.

2. The Company's capital stock outstanding at September 30, 1997 consisted of Common Stock with a stated value of \$1,371,520,000 and Preferred Stock having a stated value of \$59,376,000. As of September 30, 1997, the retained earnings of the Company were \$1,600,590,000.

The Company's existing long-term debt at September 30, 1997, amounted to principal amounts of \$1,761,130,000 in First Mortgage Bonds and \$837,089,000 in other long-term debt, including \$160,400,000 of commercial paper reclassified as long-term debt for financial reporting purposes. The First Mortgage bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by W.T. Cunningham, who presently is acting as Individual Trustee, as supplemented by sixty-four Supplemental Indentures.

3. The Company proposes to negotiate and enter into a Term Loan Agreement (the "Term Loan") with Wachovia Bank, N.A. ("Wachovia") substantially in the draft form attached to the Company's Application as Exhibit A. The amount of the Term Loan is \$7,505,000. Pursuant to the terms of the Term Loan, Wachovia will, during the period immediately following this Commission's approval of the Term Loan to January 31, 1999, make loan advances to the Company up to but not exceeding \$7,505,000. The Loan and all advances will be evidenced by a promissory note of the

Company. The Term Loan will mature on January 31, 2005; provided, however, that Wachovia may, at its sole option upon giving at least ninety (90) calendar days' prior written notice to the Company, declare the outstanding principal and any accrued and unpaid interest due and payable in full on January 31, 2003. The Company shall repay the Term Loan in equal monthly installments of principal and interest, based on a 20-year amortization, on the last day of each calendar month from February 28, 1999 to January 31, 2005, at which time the remaining principle balance and any accrued interest will be due and payable. The unpaid principal balance of the Term Loan will bear interest at a fixed rate of 6.45% per year. The unpaid principal balance of the Term Loan will bear interest at a fixed rate of 6.45% per year. Proceeds of the Term Loan will be used by the Company for purposes related to real estate development, including financing construction and permanent phases of the Powerhouse Square Project. The Powerhouse Square Project is a historic redevelopment of the Company's powerhouse, garage and service buildings located in downtown Raleigh, North Carolina. The primary goal of this project is to create a cohesive, mixed-use commercial project, consisting of restaurants, office, and retail space, which will contribute to the revitalization of downtown Raleigh and provide opportunities for the Company to showcase various electro-technologies within the project. In addition, the proposed development of this property constitutes the most cost-effective use of this now idle real estate. Ultimately, the Term Loan will be repaid with profits generated by the project.

4. The Company's expenses in connection with the negotiation and execution of the Term Loan will not exceed \$2,000. Additionally, the Company will pay Wachovia a one-time facility fee of \$30,000.

5. The Company requests that the Commission authorize the Company to make minor modifications and amendments to the Term Loan as the Company and Wachovia deem necessary from time to time; provided, however, that in no event would the company amend the Term Loan to (i) increase the amount of the total commitment; (ii) increase the rate of interest; or (iii) increase the term of the loan, which in no case will exceed seven years, without the approval of the Commission.

6. In compliance with Order No. 91-72 issued in Docket No. 91-032-E, the Company provides the following information:

- a. The Company's Consolidated Financial Statements as of December 31, 1996 and Consolidated Interim Financial Statements as of September 30, 1997 are attached to the Application as Exhibit B and Exhibit C respectively. The Company's Pro forma Consolidated Balance Sheet and Pro Forma Consolidated Income Statements, Exhibit D, showing the impact of the proposed Term Loan on the Company is attached to the Application. Also, the pro forma data indicates that the impact of the proposed Term Loan Agreement is nominal.
- b. A maximum of \$7,505,000 of funds will be generated to the Company as a result of entering into the Term Loan. The proceeds will be used to develop real estate projects such as Powerhouse Square, a historic redevelopment of CP&L's Raleigh powerhouse, garage and service buildings located in downtown Raleigh.
- c. If the authority to enter into the Term Loan is delayed or not granted, the Company's intention of matching specific real estate development projects with specific, fixed rate debt that removes

financing uncertainty will require reexamination. The reexamination process could delay specific projects currently under review.

- d. The information regarding the known rate of interest and other terms of the Term Loan Agreement are provided in Paragraph 3 of the Application.
- e. Entering into the Term Loan Agreement will enable the Company to fix its interest expense associated with development of various real estate projects such as Powerhouse Square. All costs of entering into the Term Loan Agreement are known and provided in Paragraph 4 of the Application.
- f. The impact of the proposed Term Loan Agreement on the Company's capital structure is nominal as represented in the pro forma financial statements provided in Exhibit B to the Application.

CONCLUSIONS OF LAW

From a review and study of the Application, its supporting data, and other information in the Commission's files, the Commission finds that the transaction or transactions herein proposed:

- (i) Are for a lawful object within the corporate purposes of the Company;
- (ii) Are compatible with the public interest;
- (iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) Will not impair the Company's ability to perform its public service; and

- (v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS, THEREFORE, ORDERED AS FOLLOWS:

1. That Carolina Power & Light is authorized, empowered and permitted to enter into the Term Loan as described in this Application, to issue securities in the form of promissory notes pursuant to the Term Loan at such times as the Company desires to borrow funds pursuant to the Term Loan, and to execute and carry out such instruments, documents and agreements as shall be necessary or appropriate in order to effectuate the transactions contemplated by the Term Loan;

2. The terms and conditions of the Term Loan in substantially the form described in the draft Term Loan Agreement attached hereto as Exhibit A are approved.

3. That Carolina Power & Light is authorized, empowered and permitted to make minor modifications and amendments to the Term Loan as the Company and Wachovia deem necessary from time to time; provided, that in no event shall the Company amend the Term Loan to (i) increase the amount of the total commitment; (ii) increase the rate of interest; or (iii) increase the term of the loan, which in no case will exceed seven years, without the approval of the Commission.

4. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

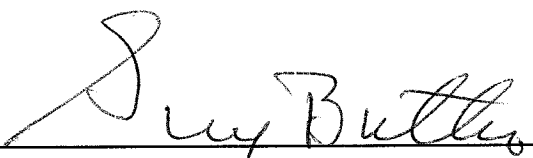
5. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

MARCH 19, 1998


PAGE 7

6. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)